

## REQUEST FOR APPROVAL OF COMMUNITIZATION AGREEMENT

Devon Energy Corporation  
7525 Hwy 2 NW  
P.O. Box 1644  
Havre, MT 59501

Township 27 North, Range 19 East  
Section 21 & 22: ALL  
1280.00 Acres  
Blaine County

State Tract(s)  
Section 21: S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$   
Section 22: S $\frac{1}{2}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$   
920 Acres (total)  
Common Schools Trust = 100%

Devon Energy Corporation has filed a request with the Department for the approval of a communitization agreement to communitize State owned acreage to permit development in conformity with regulations of the Montana Board of Oil and Gas Conservation Commission (BOGC).

A communitization agreement brings together small tracts sufficient for the granting of a well permit under applicable spacing rules. Communitization agreements are not formed until after a well has been drilled and proven to be productive. The communitization agreement provides for distribution of royalties and must be approved and signed by the Department to be effective. Communitization is important in the prevention of drilling of unnecessary and uneconomic wells which would result in physical and economic waste.

The State 21-9-27-19 well, which is an Eagle Sand formation gas well, was drilled in the NE $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 21. This Communitized area has a total of 1280.00 acres. The Department has mineral ownership of 920.00 of the 1280.00 mineral acres in the area that will be communitized. All the mineral owners in the proposed communitized area will share in the royalty from this well. The communitization agreement shall include only the Eagle Sand Formation in Sections 21 & 22.

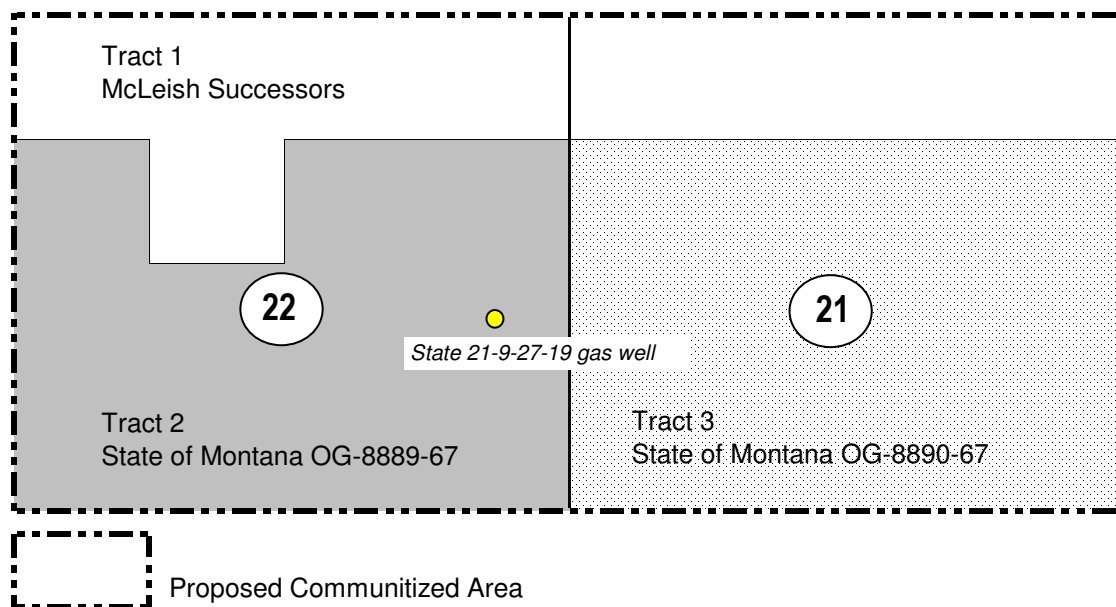
The State has 2 tracts which comprise a total of 71.9% of the communitized area. The communitized production will be allocated to each tract based upon the relationship of its acreage to the total acreage within the communitized area. The State will consequently receive 4.3% of all oil & gas production (12.5% royalty rate x 34.4% tract participation), for Tract 2.

The State will receive 4.7% of all oil & gas production (12.5% royalty rate x 37.5% tract participation), for Tract 3.

The Communitization Agreement will allow the State to receive its proper share of production from the spacing unit. Therefore, the Director recommends approval of this Communitization Agreement.

# Township 27 North Range 19 East

## Section 21 & 22 (ALL)



### Recapitulation

Tract No.	Type	Acres	Tract Participation	Royalty %	Owners Interest Decimal
1	McLeish Successors	360.00	28.13%	12.50%	0.035156
2	State of Montana OG-8889-67	440.00	34.38%	12.50%	0.042969
3	State of Montana OG-8890-67	480.00	37.50%	12.50%	0.046875
Total		1280.00	100.00%		0.125000

\* The Operator of the Communitized Area is Devon Energy L.L.C.